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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 DOE-15 SOE-02 /122 W
----------000221 141944Z /64
R 132240Z APR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7039
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS OTTAWA 01910

DEPT. PASS CEA, TREAS, FRB

E.O. 11652:N/A
TAGS: ECON, CA
SUBJECT: CANADIAN INFLATION RATE RISES IN MARCH.

REF: OTTAWA 755

1. SUMMARY. CONSUMER PRICES, SEASONALLY ADJUSTED, ROSE 1.2 PERCENT IN MARCH, LED BY FOOD AND ENERGY PRICES. NON-SEASONALLY ADJUSTED CPI ROSE BY 8.8 PERCENT IN 12 MONTHS TO MARCH, COMPARED WITH FEBRUARY RISE OF 8.7 PERCENT. CPI ROSE AT SEASONALLY ADJUSTED ANNUAL RATE OF 8.1 PERCENT IN FIRST QUARTER OF 1978. END SUMMARY.

2. ACCORDING TO APRIL 12 STATCAN RELEASE, NON-SEASONALLY ADJUSTED CONSUMER PRICE INDEX ROSE 1.1 PERCENT TO 170.8
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IN MARCH FROM FEBRUARY LEVEL OF 168.9. FOOD PRICES IN-CREASED BY 1.4 PERCENT IN MONTH AND ACCOUNTED FOR ONE THIRD OF RISE IN OVERALL CPI. ONE QUARTER OF TOTAL CPI INCREASE WAS ATTRIBUTABLE TO STRONG RISE IN ENERGY PRICES, REFLECTING PASS-THROUGH TO CONSUMERS OF ONE DOLLAR INCREASE IN ADMINISTERED ENERGY PRICES ON JANUARY 1. HIGHER ENERGY PRICES IMPORTANTLY RESPONSIBLE FOR 1.1 PERCENT ADVANCE IN

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INDEX OF ALL NON-FOOD ITEMS.

2. IN 12 MONTHS TO MARCH, CPI ROSE BY 8.8 PERCENT, COMPARED WITH INCREASE OF 8.7 PERCENT IN FEBRUARY. FOOD PRICES WERE UP BY 14 PERCENT; NON-FOOD PRICES BY 7 PERCENT.

3. ON SEASONALLY ADJUSTED BASIS, CPI INCREASED 1.2 PERCENT BETWEEN FEBRUARY AND MARCH, WITH FOOD PRICES INCREASING BY 1.6 PERCENT AND NON-FOOD PRICES BY 1 PERCENT. IN FIRST QUARTER OF THIS YEAR, CPI ROSE AT SEASONALLY ADJUSTED ANNUAL RATE OF 8.1 PERCENT.

4. COMMENT: IT WAS NOTED REFTEL THAT PASS-THROUGH TO CONSUMERS IN MARCH OF HIGHER ENERGY PRICES AND CONTINUING INFLATIONARY IMPACT OF DEPRECIATION MADE IT UNLIKELY THAT INFLATION RATE WOULD COME DOWN SIGNIFICANTLY IN FIRST QUARTER OF THIS YEAR FROM 8 PERCENT AVERAGE REGISTERED IN 1977. IN FACT, PRICE PERFORMANCE HAS WORSENED SLIGHTLY. EXCHANGE MARKETS CAN BE EXPECTED TO REACT ADVERSELY. POLITICAL OPPOSITION WILL CITE ACCELERATING INFLATION AS FURTHER EVIDENCE THAT GOC INCAPABLE OF DEALING WITH CANADA'S CHRONIC ECONOMIC PROBLEMS. ENDERS

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Litigation History:
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